

**STATE OF NEW MEXICO
SECRETARY OF ENVIRONMENT**

**ENVIRONMENTAL PROTECTION DIVISION
OF THE NEW MEXICO ENVIRONMENT DEPARTMENT,
Complainant,**

NO. AQB CRE-multi-1401 (NOV)

**CRESTWOOD NEW MEXICO PIPELINE LLC,
Respondent.**

SETTLEMENT AGREEMENT AND STIPULATED FINAL COMPLIANCE ORDER

This Settlement Agreement and Stipulated Final Compliance Order ("Final Order") is entered into between the Environmental Protection Division ("Division") of the New Mexico Environment Department (the "Department") and the Respondent, Crestwood New Mexico Pipeline LLC ("Respondent") (collectively, the "Parties") to resolve alleged statutory, regulatory, and permit violations by the Respondent. The Department alleges violations of the New Mexico Air Quality Control Act ("AQCA"), NMSA 1978, Sections 74-2-1 to -17; the Air Quality Control Regulations ("AQCR"), 20.2 NMAC ("Regulations"), and Air Quality Permit Number GCP-4-3750 ("Permit").

I. BACKGROUND

A. PARTIES

1. The Department is an agency of the executive branch of the State of New Mexico, created pursuant to NMSA 1978, § 9-7A-4. The Division is an organizational unit of the Department. The Secretary of the Department has delegated to the Director of the Division the authority to seek administrative enforcement of the AQCA and the AQCR, including assessing civil

penalties for violations thereof. NMSA 1978, § 74-2-12. The Air Quality Bureau ("Bureau") is an organizational unit of the Division.

2. The Respondent is a natural gas company doing business in New Mexico at the Las Animas Dublin Ranch Compressor Station ("Facility"), located in Eddy County, New Mexico. The Facility is a compressor station operating under the Permit.

B. HISTORY AND ALLEGED VIOLATIONS

3. Permit Condition VIII.2.b. Monitoring and Recordkeeping Requirements, provides in relevant part, "...The owner or operator shall also perform any monitoring (including periodic tests), recordkeeping and reporting required by applicable NSPS, NESHAP or MACT standards. In addition, during the first month of each calendar quarter during which operations occur, the owner or operator shall measure the reduction efficiency across catalyst bed, and monitor and record exhaust oxygen (O₂) and NO_x concentrations. ...For every measured value that does not meet the control efficiency given in registration application, submit a report of such measurements under 2.20.7 NMAC. ...Records of the tests shall be maintained."
4. Permit Condition VIII.2.c, Reporting Requirements, states in relevant part, "By March 1 of each year, submit a report including monitoring results for the previous year, summary of any repair or replacement of any catalyst, AFR controller or oxygen sensor, and calculated NO_x and CO emission rates in lb/hr."
5. On December 4, 2014, Bureau staff received a letter from Respondent disclosing potential violations at facilities it had acquired through an asset purchase on February 1, 2011. In 2014, Respondent staffed an office in New Mexico, and after close review of its facilities and requirements, found the potential violations listed in the letter. Prior to 2014, third party

contractors conducted field operations, which were primarily pipeline operations. Since records from third party contractors were not accessible, Respondent had failed to provide proof of annual reporting of emissions monitoring and repairs to emissions control systems since ownership of this Facility.

6. Permit Condition X.2., Changes to the Owner/operator Information or Equipment Serial Number in the Registration Application, states in relevant part, "Within ten (10) calendar days after making a change to the Owner/Operator information as listed in Condition IV.1 (such as change of ownership or operator, or change of contact information)...the owner or operator shall provide the Department with the revised Registration Application..."
7. On April 22, 2015, Bureau staff received a letter from Respondent indicating that they wished to disclose an additional potential violation of failing to notify the Department of the change in ownership at the Dublin Ranch Compressor Station. Updates to the Permit Submittal Form (Form A) were also included with this letter to make the necessary updates to the facility permit. The Bill of Sale for acquiring this property was February 16, 2011.
8. On December 16, 2015, the Bureau issued to the Respondent Notice of Violation CRE-multi-1401-SD ("NOV"), alleging violations of the AQCA, the AQCR, and the Permit. The alleged violations consisted of: 1) Failure to conduct quarterly emissions monitoring and recordkeeping, which is a violation of Permit Condition GCP-4 Condition VIII.2.b; 2) Failure to submit annual reporting of emissions monitoring and repairs to emissions control system, which is a violation of Permit Condition GCP-4 Condition VIII.2.c; and 3) Failure to notify in change of ownership at the facility, which is a violation of Permit Condition GCP-4 Condition X.2.

9. The NOV included a Corrective Action Verification ("CAV") requiring the Respondent to submit to the Bureau measures taken to ensure future compliance with the permit conditions.
10. On January 20, 2016, the Bureau received the CAV from the Respondent. The CAV was determined to be satisfactory by the Bureau on February 4, 2016.
11. The Parties have engaged in settlement discussions to resolve the NOV without further proceedings.

II. COMPROMISE AND SETTLEMENT

A. GENERAL

12. The Respondent does not admit any of the allegations in the NOV. To avoid further legal proceedings, the Division and the Respondent agree to the terms and conditions in this Final Order to resolve the alleged violations in the NOV.
13. The Parties admit jurisdiction and consent to the relief specified herein.

B. CIVIL PENALTY

14. In compromise and settlement of the alleged violations set forth in the NOV and upon consideration of the seriousness of the alleged violations and Respondent's good faith efforts to comply, the Parties agree that the Respondent shall pay a civil penalty of \$10,500.00 to the State of New Mexico within 30 calendar days after the effective date of this Final Order.
15. Payment shall be made to the *State of New Mexico General Fund* by certified or corporate check and sent to the following address:

New Mexico Environment Department
Air Quality Bureau
c/o Compliance and Enforcement Manager
525 Camino de los Marquez, Suite 1
Santa Fe, New Mexico 87505

16. If the Respondent fails to make timely and complete payment of the civil penalty, the Respondent shall pay a stipulated penalty of \$250.00 per day for each day a payment is not timely or complete. The Respondent shall not contest or dispute in any way the stipulated penalty of \$250.00 per day in the event that the Department brings an action against the Respondent for the failure to make timely or complete payment.

III. OTHER TERMS AND CONDITIONS

A. RESERVATION OF RIGHTS AND DEFENSES

17. This Final Order shall not be construed to prohibit or limit in any way the Department from requiring the Respondent to comply with any applicable state or federal requirement not resolved herein. This Final Order shall not be construed to prohibit or limit in any way the Department from seeking any relief authorized by the AQCA for violation of any state or federal requirement applicable to the Respondent not resolved herein. This Final Order shall not be construed to prohibit or limit in any way the Respondent from raising any defense to a Department action seeking such relief.

B. MUTUAL RELEASE

18. The Parties mutually release each other from all claims that each party raised or could have raised against the other regarding the facts and violations alleged in the NOV. Such release applies only to civil liability.

C. WAIVER OF STATE LIABILITY

19. The Respondent shall assume all costs and liabilities incurred in performing all obligations under this Final Order. The Department, on its own behalf and on behalf of the State of New Mexico, does not assume any liability for the Respondent's performance of any obligation under this Final Order.

D. EFFECTIVE DATE AND TERMINATION DATES

20. This Final Order shall become effective on the date it has been signed by the Department Secretary.
21. Except as otherwise provided in this Paragraph, the terms of this Final Order shall terminate when the Respondent has fulfilled the requirements of this Final Order. The reservations of rights and defenses and the mutual release in Paragraphs 18 and 19 shall survive the execution and performance of this Final Order, and shall remain in full force and effect as an agreement between the Parties.

E. INTEGRATION

22. This Final Order merges all prior written and oral communications between the Parties concerning the subject matter of this Final Order, contains the entire agreement between the Parties, and shall not be modified without the express written agreement of the Parties.

F. BINDING EFFECT

23. This Final Order shall be binding on the Parties and their officers, directors, employees, agents, subsidiaries, successors, assigns, trustees, or receivers.


G. AUTHORITY OF SIGNATORIES

24. The persons executing this Final Order on behalf of the Respondent and the Division, respectively, represent that he or she has the authority to execute this Final Order on behalf of the Respondent and the Division.

H. SIGNATURE AND COUNTERPARTS

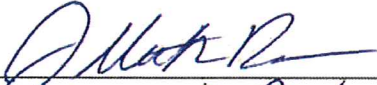
25. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same agreement.

ENVIRONMENTAL PROTECTION DIVISION
NEW MEXICO ENVIRONMENT DEPARTMENT

By: 
MICHAEL VONDERHEIDE
DIRECTOR

Date: 7/6/16

CRESTWOOD NEW MEXICO PIPELINE LLC

By: 
Print Name: J. Mark Pench
Print Title: COO & President

Date: 6/28/16

STIPULATED FINAL COMPLIANCE ORDER

This Settlement Agreement and Stipulated Final Compliance Order, agreed to by the Division and the Respondent Crestwood New Mexico Pipeline LLC, is hereby incorporated herein and **APPROVED AS A FINAL COMPLIANCE ORDER** issued pursuant to NMSA 1978, § 74-2-12.

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RYAN FLYNN
SECRETARY
ENVIRONMENT DEPARTMENT

Date: 7/7/16